

FILE

*Accounting 5*

SECRET

DD/S 64-4837

11 SEP 1964

MEMORANDUM FOR: Deputy Director of Finance

Pat:

As we discussed on the telephone, I am returning the package dealing with the safeguarding of confidential funds and the special screening of principal custodians. We have tried our hand at drafting letters to Finance Officers who have become custodians and others, such as Chiefs of Station who become custodians by virtue of incumbency in a particular position. We have tried to accentuate the positive and may be laying it on a little thick; but, among other things, we want to educate the custodian who is not a Finance Officer in the responsibilities which are his by regulation. The letter to the Finance Officer, on the other hand, is more in the form of a reminder.

In addition to the letters there are at least two other parts to the problem:

a. We need a system, which I believe you have already started, for the particularly careful scrutiny for people of the Finance Career Service who are selected for assignment to positions requiring that they be custodians of funds, and;

b. We need a system for carefully scrutinizing people who become custodians of funds by virtue of their incumbency in a particular position. In most of these cases, the most we can hope for is that we might be alerted to a bad risk. If the risk were bad enough, we probably could influence the assignment.

Problems of selection are long-range and will require continuing cooperation with the operating components over the years. The letters we can complete and start using now. After you have had a chance to work over the attached drafts, you may want to chat about this some more, or simply resubmit them if you prefer.

SECRET

MORI/CDF ONLY Page  
18

Att: As stated

Distribution:

Orig - Adse w/att

1 - DD/S Subject w/back

1 - DD/S Chrono

SECRET



25X1

As I see it, there are at least four parts to this problem:

a. We need a system for the particularly careful scrutiny of people from the Finance Career Service who are selected for assignment to positions requiring that they be custodians of funds.

b. We need a letter similar to the attached but which is addressed to the Finance Officer in particular.

c. We need a system for carefully scrutinizing people who become custodians of funds by virtue of incumbency in a particular position, such as Chiefs of Station. In most cases we wouldn't be able to change the assignment, but we might at least be alerted to a bad risk, and if the risk were bad enough, it might be used to influence the assignment.

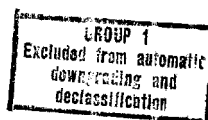
d. We need a letter to these kinds of people which recognizes that they are only custodians by accident of position but, nevertheless, impresses upon them the gravity of their responsibility.

The review and selection of Finance Officers is something that can be accomplished within the framework of the Career Service, and I gather from one of the Fuch's memos attached that they have already taken steps to get such a procedure started. The screening of Chiefs of Station and others who become custodians of funds because of the job they are given will be a pretty sensitive procedure and can only be accomplished, obviously, with the wholehearted support of the DD/P and will have to be worked out separately. As for the letters, I have attached a couple of drafts for your consideration. *I'm afraid they may lay it on a little thick.*



25X1

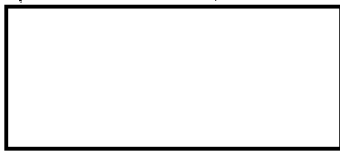
SECRET



STAT



I'd suggest  
something, along the  
following lines -



STAT

1- After careful screening and evaluation of your qualifications, fidelity, integrity and personal characteristics, you have been <sup>of special trust</sup> appointed to a position in the Agency wherein you are charged with unique responsibilities for the safeguarding and proper use of ~~official~~ US Government funds. The sensitive nature of the Agency's mission ~~compels us~~ to utilize special financial and funding arrangements which do not in all instances lend themselves to ~~contacts~~ normally applied to the handling of US Government funds. The special <sup>financial</sup> authorities

ILLEGIB

carry out its  
place exceptional responsibilities  
as those of us who are  
charged with the execution  
of these special area units.  
The standards under which  
we must operate, in the  
conduct of our personal as  
well as our official  
activities, must of necessity  
leave nothing to be [redacted]

ILLEGIB

2 - Agency publications,  
particularly [redacted]  
"Employee Conduct" establish  
the standards applicable  
to the normal employee  
situation. Because of

STAT

[redacted] is addition to

ILLEGIB

STAT

the standards outlined in [redacted]

we must apply ~~standards~~  
 standards relating to certain activities  
 which <sup>could</sup> have a direct bearing  
 on your ability to effectively  
 carry out your responsibilities,  
 such as:

a. Gambling - As official  
 custodian of Agency funds  
 you will not frequent  
 gambling establishments or  
 engage in gambling activities  
 of any type.

b. [redacted]

ILLEGIB

**Page Denied**

Next 1 Page(s) In Document Denied

DRAFT:VRT:jbb (10 Aug 64)

Mr. John Q. Doe  
Official Custodian  
Blank Station

Dear Mr. Doe:

After careful evaluation of your qualifications and character, you have been appointed official custodian of funds at Blank Station which is a position of special trust. The sensitive nature of the KUBARK mission compels us to utilize special financial and funding arrangements which do not in all instances lend themselves to controls normally applied to the handling of ODYOKE funds. The special financial authorities granted to KUBARK place exceptional responsibilities on those who are charged with the execution of these special arrangements. The standards under which we must operate in the conduct of our personal as well as official activities must be exemplary.

KUBARK publications, particularly [ ] established the standards of conduct applicable to employees generally. Because of your position of special trust you must not only adhere to the general standards stated, but you must apply the strictest interpretation to prohibitions against such things as excessive drinking or the use of narcotics, imprudent personal financial activities and the like. It is expected that, as official custodian of funds you will not frequent gambling establishments or engage in gambling activities of any type or amount.

25X1

Custodians of funds sometimes find themselves in serious difficulty, not because of dishonesty or intent to misuse ODYOKE funds, but because they were careless or rationalized the use of official funds for unapproved purposes. The co-mingling of official and personal funds is a hazard which you must avoid. Official funds must be kept separate under proper controls and safeguards which have been communicated to you elsewhere. Advances of funds for



other than clearly authorized operational or administrative purposes is another source of trouble you must avoid. If there is any doubt on this score, you should cable or write Headquarters for instructions. Exchanging funds or obtaining foreign exchange at advantageous rates for personal use is another pitfall. Again, if the action you are taking is not clearly authorized by the regulations or specific instructions from Headquarters, you should request instructions from Headquarters. Under no circumstances should you make advances of funds to yourself, whether operational or administrative, without the specific approval of the Chief of Station or his designated representative.

There are many other pitfalls in the handling of cash accounts, including refunds of advances or expenses, or rebates on purchases, but it is not the purpose of this memorandum to cite them all or to tell you what you should do about each case. Rather, it is our purpose here to remind you that any laxity in the safekeeping and control of funds or any seemingly personal or unapproved use of funds is inconsistent with the special responsibilities placed upon you in the necessarily unorthodox financing of KUBARK operations and, therefore, can not be excused. We remind you again that you have been assigned to this position because you enjoy the trust and confidence of KUBARK officials. This memorandum is an extra precaution to guard against errors of omission or ill-advised use of official funds. When in doubt, communicate with Headquarters for instructions. Generally such things as obtaining or exchanging foreign funds, cashing of checks, and other personal financial transactions can be worked out to meet the need of Station personnel.

ACKNOWLEDGED:

---

Distribution:

O - Official Personnel Folder  
cc: Blank Station

Mr. John Q. Doe  
Official Custodian  
Blank Station

Dear Mr. Doe:

After careful evaluation of your qualifications and character, you have been appointed official custodian of funds at Blank Station which is a position of special trust. The sensitive nature of the KUBARK mission compels us to utilize special financial and funding arrangements which do not in all instances lend themselves to controls normally applied to the handling of ODYOKE funds. The special financial authorities granted to KUBARK place exceptional responsibilities on those who are charged with the execution of these special arrangements. The standards under which we must operate in the conduct of our personal as well as official activities must be exemplary.

KUBARK publications, particularly [ ] established the standards of conduct applicable to employees generally. Because of your position of special trust you must not only adhere to the general standards stated, but you must apply the strictest interpretation to prohibitions against such things as excessive drinking or the use of narcotics, imprudent personal financial activities and the like. It is expected that as official custodian of funds you will not frequent gambling establishments or engage in gambling activities of any type or amount.

25X1

Custodians of funds sometimes find themselves in serious difficulty, not because of dishonesty or intent to misuse ODYOKE funds, but because they were careless or rationalized the use of official funds for unapproved purposes. The co-mingling of official and personal funds is a hazard which you must avoid. Official funds must be kept separate under proper controls and safeguards which have been communicated to you elsewhere. Advances of funds for

other than clearly authorized operational or administrative purposes is another source of trouble you must avoid. If there is any doubt on this score, you should cable or write Headquarters for instructions. Exchanging funds or obtaining foreign exchange at advantageous rates for personal use is another pitfall. Again, if the action you are taking is not clearly authorized by the regulations or specific instructions from Headquarters, you should request instructions from Headquarters. Under no circumstances should you make advances of funds to yourself, whether operational or administrative, without the specific approval of the Chief of Station or his designated representative.

There are many other pitfalls in the handling of cash accounts, including refunds of advances or expenses, or rebates on purchases, but it is not the purpose of this memorandum to cite them all or to tell you what you should do about each case. Rather, it is our purpose here to remind you that any laxity in the safekeeping and control of funds or any seemingly personal or unapproved use of funds is inconsistent with the special responsibilities placed upon you in the necessarily unorthodox financing of KUBARK operations and, therefore, can not be excused. We remind you again that you have been assigned to this position because you enjoy the trust and confidence of KUBARK officials. This memorandum is an extra precaution to guard against errors of omission or ill-advised use of official funds. When in doubt, communicate with Headquarters for instructions. Generally such things as obtaining or exchanging foreign funds, cashing of checks, and other personal financial transactions can be worked out to meet the need of Station personnel.

ACKNOWLEDGED:



Distribution:

10 - Official Personnel Folder  
cc: Blank Station

25X1

DRAFT:VMT:jbb (11 Aug 64)

Mr. John Q. Doe  
Official Custodian  
Blank Station

Dear Mr. Doe:

After careful evaluation of your qualifications and character, you have been appointed official custodian of funds at Blank Station which is a position of special trust. The sensitive nature of the KUBARK mission compels us to utilize special financial and funding arrangements which do not in all instances lend themselves to controls normally applied to the handling of ODYOKE funds. The special financial authorities granted to KUBARK place exceptional responsibilities on those who are charged with the execution of these special arrangements. The standards under which we must operate in the conduct of our personal as well as official activities must be exemplary.

KUBARK publications, particularly  established the standards of conduct applicable to employees generally. Because of your position of special trust you must not only adhere to the general standards stated, but you must apply the strictest interpretation to prohibitions against such things as excessive drinking or the use of narcotics, imprudent personal financial activities and the like. It is expected that as official custodian of funds you will not frequent gambling establishments or engage in gambling activities of any type or amount.

Custodians of funds sometimes find themselves in serious difficulty, not because of dishonesty or intent to misuse ODYOKE funds, but because they were careless or rationalized the use of official funds for unapproved purposes. The co-mingling of official and personal funds is a hazard which you must avoid. Official funds must be kept separate under proper controls and safeguards which have been communicated to you elsewhere. Advances of funds for

25X1

other than clearly authorized operational or administrative purposes is another source of trouble you must avoid. If there is any doubt on this score, you should cable or write Headquarters for instructions. Exchanging funds or obtaining foreign exchange at advantageous rates for personal use is another pitfall. Again, if the action you are taking is not clearly authorized by the regulations or specific instructions from Headquarters, you should request instructions from Headquarters. Under no circumstances should you make advances of funds to yourself, whether operational or administrative, without the specific approval of the Chief of Station or his designated representative.

There are many other pitfalls in the handling of cash accounts, including refunds of advances or expenses, or rebates on purchases, but it is not the purpose of this memorandum to cite them all or to tell you what you should do about each case. Rather, it is our purpose here to remind you that any laxity in the safekeeping and control of funds or any seemingly personal or unapproved use of funds is inconsistent with the special responsibilities placed upon you in the necessarily unorthodox financing of KUBARK operations and, therefore, can not be excused. We remind you again that you have been assigned to this position because you enjoy the trust and confidence of KUBARK officials. This memorandum is an extra precaution to guard against errors of omission or ill-advised use of official funds. When in doubt, communicate with Headquarters for instructions. Generally such things as obtaining or exchanging foreign funds, cashing of checks, and other personal financial transactions can be worked out to meet the need of Station personnel.

ACKNOWLEDGED:

Distribution:

0 - Official Personnel Folder

cc: Blank Station


16 July 1964

Mr. Bannerman:

This is the second draft of a proposed form letter to fund custodians prepared by Bob Fuchs. Colonel White thinks it is an improvement and has more teeth than the other but he wants you and me to review this and make recommendations.

Over the years most custodians of funds have proved their honesty and integrity in handling Agency money and I believe that no amount of admonition will deter those who would deliberately steal or misuse official funds. The purpose of the attached memorandum, as I see it, would be to make sure that the honest custodians are aware of the rules regarding the handling of funds. If this is correct I would advise changing the tone of the memorandum to indicate that we have faith and confidence in these custodians (otherwise we should not have made them custodians in the first place) and to make it clear that we are not suspicious of them but are calling the rules to their attention so that they will not unintentionally violate them.

I also doubt the value of paragraph 4 in a memorandum such as this.

 this material is now in the regulations.) In fact, I think it might detract from the message we are trying to get across.

STAT



STAT

Att: Draft Form Letter

SECRET

DRAFT

.....  
.....  
.....

Dear Mr. ....:

1. While the sensitive nature of the Agency's mission makes it necessary that our people generally adhere to exemplary standards of behavior in their private as well as their official lives, your position and its relationship to the safeguarding of official funds gives you a special responsibility in this respect.

2. Agency publications, particularly [ ] "Employee Conduct", provide a comprehensive coverage of employee indiscretions which require corrective administrative action. However, because of your position of special trust as a custodian of official funds your attention is specifically directed to the Agency policy regarding your conduct with respect to the following:

25X1

a. Gambling

Custodians of Agency funds shall not frequent gambling establishments or engage in gambling activities of any type.

b. Excessive drinking or the use of narcotics

Excessive drinking, or the use of narcotics for other than prescribed medical reasons, will not be tolerated.

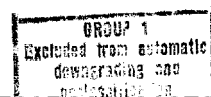
c. Illegal, immoral or illicit activities

Misconduct of this character which might embarrass the Agency or subject a custodian to compromise or to blackmail will not be tolerated.

d. Imprudent personal financial activities

An extravagant living standard or poor management of personal finances which necessitates becoming burdened with debts almost certainly will give rise to personal financial difficulties and must therefore be avoided.

SECRET



~~SECRET~~

-2-

e. Co-mingling of official and personal funds or advances of official funds to yourself

The co-mingling of personal and official funds, other than travel advances, must be avoided. In addition, a principal custodian of official funds must not advance money to himself without the written approval and full knowledge of an appropriate approving official. Public monies must not be loaned, converted or deposited except as specifically allowed by Agency regulations.

3. In recognition of the seriousness of the consequences of conduct such as listed above, the Agency will take appropriate disciplinary action when violations are reported. Supervisors will be held responsible for failure to act upon or report knowledge of any such indiscretion or misconduct.

4. While placing a heavier burden of responsibility on you, who have a position of special trust, it is realized that there are times when pressures may be brought to bear to effect approvals or to make disbursements which may not be fully justified. If an approval or a disbursement cannot be fully justified, there should be no hesitation in refusing to give the approval or to make the disbursement. If in an unusual circumstance, a superior, over your objections, specifically directs the disbursement of funds, your objections should be made a matter of record in writing and forwarded on an "eyes only" basis to [redacted] This special recourse is being given you in recognition that in your position as a custodian of official funds you have a responsibility for protecting resources in accordance with Agency regulations. Such protection will be respected and appreciated.

25X1

5. In connection with your position as \_\_\_\_\_ you will be bonded in order to afford the Agency protection against misuse of funds. It is therefore necessary for you to complete attached "Financial Statement For Bonding Record" and return it to the Office of Finance under [redacted] indicator. The information included on the form will be treated on an eyes only basis.

25X1

L. K. WHITE  
Deputy Director  
for Support

~~SECRET~~

GROUP 1  
Excluded from automatic  
downgrading and  
declassification



D R A F T

TAB-B

FINANCIAL STATEMENT FOR BONDING RECORD

1. Applicant's Name:.....
2. Home Address :.....
3. Grade & Salary :.....
4. Additional Annual Income:.....
5. Statement of applicant's assets and liabilities as of \_\_\_\_\_ 19 \_\_\_\_\_

ASSETSLIABILITIES

Cash in..... Bank _____	Notes Payable to..... Bank _____
Cash in..... Bank _____	Notes Payable to..... Bank _____
Cash on hand..... _____	Notes payable to others..... _____
Stocks and bonds (total market value)..... _____	How is above indebtedness secured? _____
..... _____	..... _____
..... _____	..... _____
Accounts Receivable..... _____	Owing against Stocks and Bonds..... _____
Notes Receivable..... _____	Accounts Payable..... _____
Value of Household effects..... _____	..... _____
Real Estate (Give description and location)..... _____	Mortgages on real estate (if none write "None")..... _____
1. Homestead..... _____	1. .... _____
2. .... _____	2. .... _____
In whose name is title to real estate?..... _____	Other liabilities in detail (if none write "None")..... _____
Other assets (in detail)..... _____	..... _____
..... _____	..... _____
..... _____	..... _____
..... _____	..... _____
Total Assets..... \$ _____	Total Liabilities..... \$ _____

6. Are you surety or endorser upon any bond, note or other obligation, not included in your liabilities shown above?.....
- If so, give names and amounts?.....
- .....
- Are there any judgments against you?.....
- Are you threatened with any law suits?.....

7. Comments .....
- .....
- .....

DATE \_\_\_\_\_ SIGNATURE \_\_\_\_\_

MORI/CDF THIS PAGE